

State Library of Massachusetts  
State House, Boston

division of insurance



IR  
68M3  
59r  
987  
.1

1987  
annual report

368123  
T505  
T587  
C.1



### message from the commissioner

I am pleased to present the 1987 Annual Report of the Massachusetts Division of Insurance.

Since the 1940's, as a result of an Act of Congress, the insurance industry has been subject largely to state rather than federal regulation. Over the years, the Massachusetts Legislature has granted the Commissioner broad statutory authority to oversee nearly every aspect of the insurance business. This is particularly true with respect to personal lines of insurance including motor vehicle, homeowner's, accident and health, and life insurance.

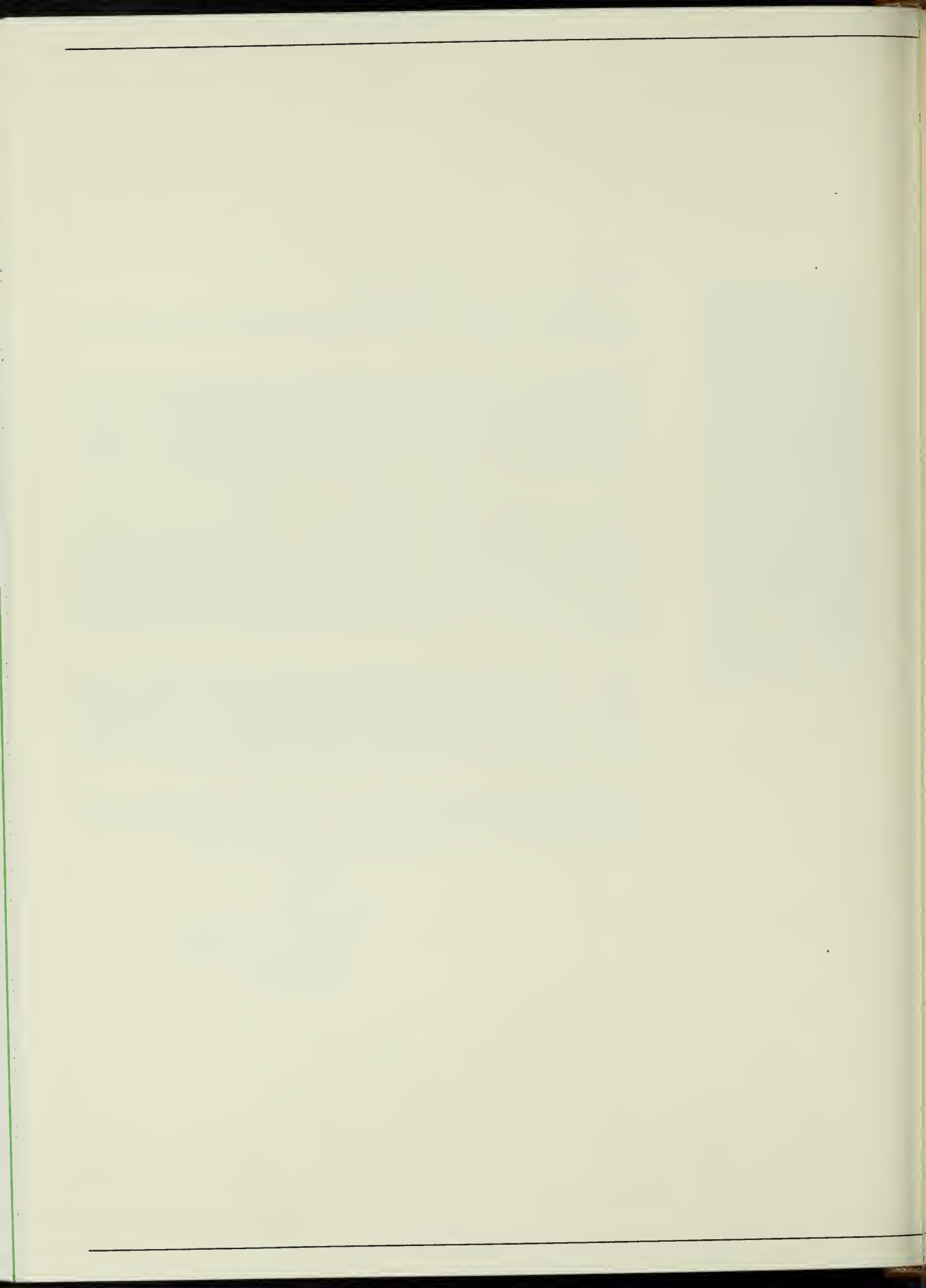
Insurance, along with banking and securities, has emerged as a diversified, complex, multi-national industry and a key component of the burgeoning financial services industry. New products and new delivery systems, especially in the health care field, regularly appear in the market, requiring close scrutiny by state insurance agencies whose primary responsibility is to protect the insurance consumer while maintaining a healthy insurance environment.

As the 1990's approach, the challenge to state insurance agencies everywhere, measured against the backdrop of an increasingly sophisticated industry, is to upgrade and augment regulatory abilities primarily through the use of modern management information systems, improved service delivery, and a continued search for talented and expert staff.

The Massachusetts Division of Insurance is meeting this challenge. The following report will outline the important strides that the Division made in 1987 as well as those that are planned for the years ahead.

Sincerely,

*Roger M. Singer*  
Roger M. Singer  
Commissioner



---

## table of contents

Introduction.....	3
Division of Insurance Organization Chart.....	3
Accomplishments.....	5-6
Section Summaries	
Consumer Service Section.....	7
State Rating Bureau.....	7
Medical Malpractice Analysis Bureau .....	8
Agent and Broker Licensing.....	8
Board of Appeal on Motor Vehicle Liability Policies and Bonds.....	9
Financial Surveillance Section.....	10
Motor Vehicle Damage Appraisers Board.....	10
Field Audit Section.....	11
Health Policy Section.....	11
Legal Section.....	12
Administration Section.....	12
Electronic Data Processing.....	12
Cooperative Activities.....	13
 Division of Insurance Goals for 1988.....	 13-14
Financial Statement.....	15
Appendix.....	16-17
Insurance Related Acts and Resolves of 1987	

---



## introduction

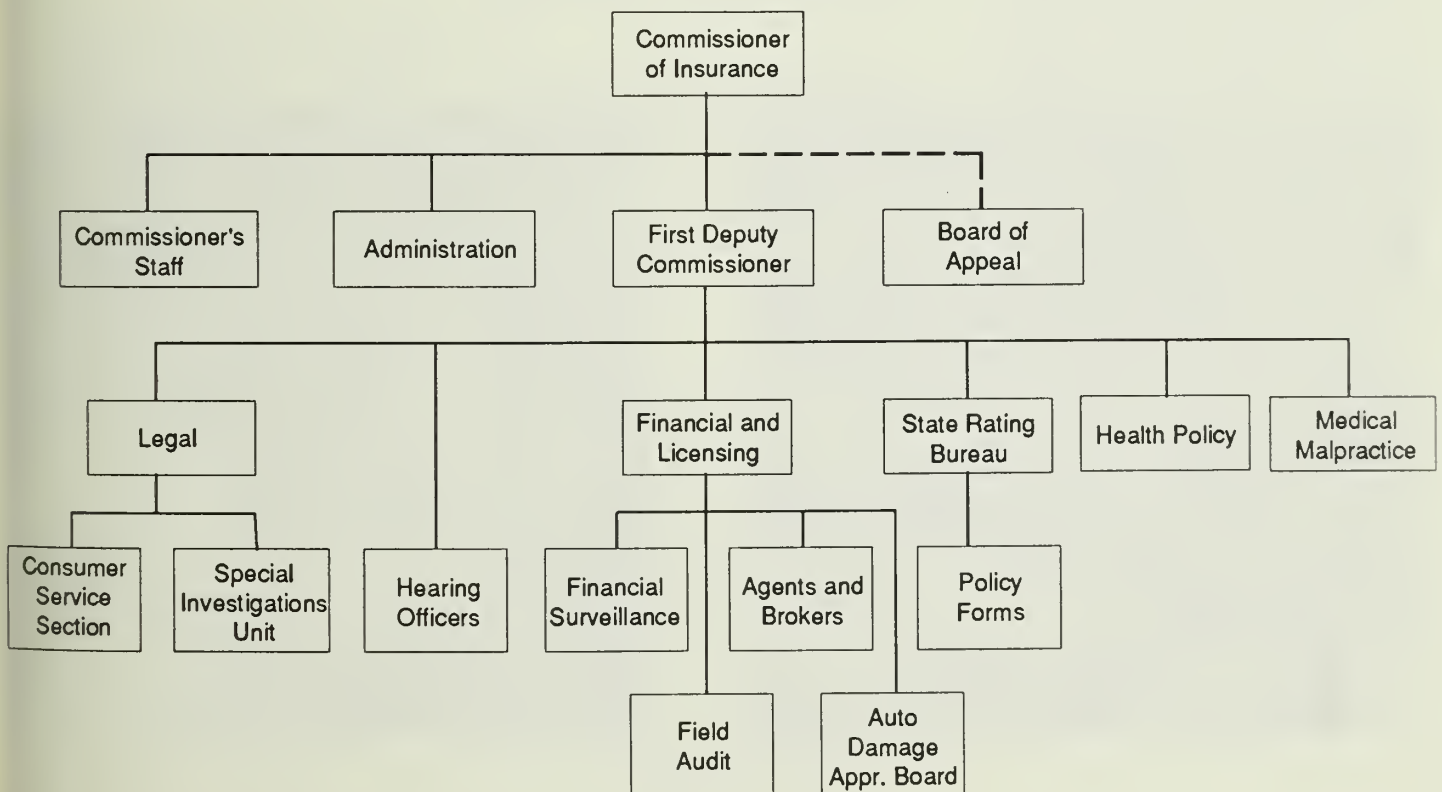
The Massachusetts Division of Insurance is charged with protecting the insurance consumer in the context of a healthy and responsible insurance market. Its task involves a careful balancing of efforts to keep insurance costs as affordable as possible while making certain that insuring entities remain financially sound. This is accomplished by a combination of ratesetting, policy approval, licensing, financial examination, investigation and enforcement, regulation, and consumer assistance. Among the challenges the Division has faced during the past year, certainly the most

notable and controversial has been in the area of private passenger automobile insurance. Massachusetts has strong, consumer-oriented automobile insurance laws. At the same time, Massachusetts ranks first in the nation in claims frequency and automobile theft, and its policyholders pay premiums which are among the highest in the United States. In 1987, the vitality of the Massachusetts automobile insurance market was threatened when several insurers announced plans to cease writing automobile insurance. Claiming an inability to operate profitably, the companies

cited inadequate rates as the reason for their plans to withdraw.

These and other events surrounding the private passenger automobile insurance market in Massachusetts vividly illustrate the need for fundamental changes in the current system and in the laws that govern it. Given the right tools, automobile insurance costs can be controlled while the stability of the Massachusetts market is ensured.

## division of insurance organization chart







"moving in new directions to improve services to consumers within the commonwealth today and in the future"





## accomplishments of the division of insurance during 1987

**"Assisting those we serve, consumers and licensees, with improved programs."**

- \$285,296 was recovered by the Consumer Service Section for consumers who had filed claim complaints with the Division of Insurance in 1987.
- Based on a plan developed by the State Rating Bureau, the Commissioner adopted a Low Mileage Discount Plan for private passenger automobile insurance in 1987. The plan awards drivers who travel less than 7,500 miles per year a premium discount of up to 10%.
- The Board of Appeal on Motor Vehicle Liability Policies and Bonds conducted a total of 32,280 hearings at 14 locations throughout the state. These included 29,525 Safe Driver Insurance Plan surcharge appeals, 2,567 appeals of decisions of the Registrar of Motor Vehicles, and 188 appeals of automobile insurance cancellations.
- The staff of the Special Investigations Unit was expanded to four investigators in order to combat fraudulent insurance practices by insurance companies, agents, and brokers.
- The addition of an Electronic Data Processing Unit to the Division has enabled the processing time for agent licenses to be drastically reduced to an average of three weeks. Prior to automation, processing an agent license took about nine months.
- Prompted by the increasing inability of day care facilities and other human service organizations to obtain commercial liability insurance, a Market Assistance Plan was developed to assist human service providers in obtaining needed coverage.
- "Meeting the challenges of a changing insurance market by broadening regulatory activity."
- The private passenger automobile insurance ratesetting process was amended in 1987, requiring insurance companies to address cost and expense containment issues in their rate filing thereby streamlining the hearing process.
- The Health Policy Section has made marked progress in overseeing health maintenance organizations in Massachusetts. The Section instituted regular financial reporting, provided members with benefit information, and conducted surveys on HMO insolvency protection.
- The Commissioner of Insurance promulgated regulations aimed at preventing insurers from offering different benefits and charging different premiums on the basis of sex.
- The Commissioner promulgated emergency regulations requiring insurers to provide certain infertility benefits. Under the new regulations, benefits must be provided for artificial insemination and in vitro fertilization.
- A 1987 regulation banned (HIV) AIDS testing for all health insurance and for any group insurance, while establishing the nation's most strictly controlled testing conditions for individual life and noncancellable disability insurance.
- The addition of two Hearing Officers to the Commissioner's staff has allowed the Division to greatly improve its ability to conduct public hearings and make timely decisions on insurance rates and matters such as alleged fraudulent practices by licensees.

**"Streamlining administrative procedures to improve productivity and increase effectiveness."**

- The design and development of a computer system has provided the Division with access to a number of state and national systems, thereby expanding its network of resources.
- With the cooperation of the Office of the Secretary of State, a Records Management Project has been instituted to properly dispose of inactive files and develop strategies for maintaining necessary records in the most cost and space efficient manner.
- An intra-office news bulletin, entitled "Re: Insurance", is being published by the Commissioner's staff. The purpose of the publication is to keep Division personnel informed about projects, plans, and accomplishments throughout the agency. The public has, as a result, benefited from a better informed and uniformly aware office staff.

**"Protecting consumer interests in the insurance marketplace by bringing about change via the legislative process."**

- To combat automobile insurance fraud, legislation was enacted which prohibits insurers from making payments for a total

motor vehicle theft or fire claim until the insured has filed required reports with the local police and/or fire authorities.

- To reduce the number of uninsured motorists, legislation was enacted which prohibits insurers from refunding premiums for mid-term policy cancellations until the insured has surrendered the vehicle's number plates to the Registry of Motor Vehicles.
- Health insurance benefits were expanded in 1987. Massachusetts insurance laws now require health insurers to provide coverage for PAP tests and mammograms. Another law requires that Blue Cross/Blue Shield benefits be provided for feeding formulas needed by victims of ulcerative colitis and Crohn's disease.





## section summaries

### consumer service section

With offices in both Boston and Springfield, the Consumer Service Section is responsible for responding to inquiries and intervening on behalf of consumers to resolve complaints against insurers, agents, and brokers. This Section is not only a resource for general insurance information, but also advises consumers of their rights under Massachusetts laws and regulations, and of their rights under the provisions of their policies.

In the challenging role of consumer service, the ability to listen and communicate is the key to success. Section personnel are trained to interact with the public in an alert, patient and understanding manner. The Section received 85,096 telephone calls from consumers during 1987 - 10,000 more than in 1986. The staff also resolved 6,748 cases, recovered \$285,296 for consumers and issued numerous informational letters.

The Section maintains a complaint log listing each complaint and inquiry received. The complaint log may suggest patterns of unfair or abusive insurance practices by a particular agent, broker, or insurance company. In some cases the Special Investigations Unit is alerted and may take action. Also, because these patterns may suggest trends in the industry, they are referred to the Commissioner for possible legislative or other regulatory action.

---

### state rating bureau

The State Rating Bureau (SRB) was established by the Legislature in 1975 and is responsible for the investigation and study of rates charged by insurers for certain types of insurance, especially private passenger motor vehicle insurance. It is staffed by professionally qualified actuaries and mathematicians, computer analysts, attorneys, policy form analysts, and secretarial and support staff. The duties of the SRB are primarily rating and policy review.

The SRB makes recommendations to the Commissioner on rate changes for various types of insurance, including private passenger automobile, medical malpractice, workers' compensation, Blue Cross/Blue Shield Medex (Medicare supplement), and non-group health insurance. It also analyzes numerous homeowners' insurance filings submitted by the Insurance Services Office (ISO) and independent insurers.

In addition to participating as a statutory party in the annual private passenger motor vehicle insurance rate hearing, the SRB is involved in many automobile insurance-related matters including: making recommendations to the Commissioner on changes in territorial rating assignments; participating in the annual hearing to determine whether the Commissioner should continue to fix and establish rates; conducting an actuarial review of the competitive rate filings of companies providing commercial motor vehicle insurance; and analyzing statistics and related data.

During 1986, the SRB developed and proposed to the Commissioner a low mileage discount plan to give automobile insurance premium discounts of up to 10% for those who drive fewer than 7,500 miles per year. SRB research revealed that low mileage drivers are less likely to

have accidents and, therefore, as a group they generate fewer losses than average or high-mileage drivers. The Commissioner adopted the SRB's plan beginning in the 1987 policy year.

The SRB is also responsible for reviewing a broad range of filings submitted by insurance companies doing business in Massachusetts in the property/casualty, accident & health, and individual life & annuity insurance areas. It receives thousands of policy, rate, and other filings annually. The purpose of the policy and rate review is to ensure that provisions of the filings are proper and in compliance with the Commonwealth's insurance laws. The SRB has embarked upon a comprehensive program to improve the operating efficiency of this important agency activity. The program is expected to bring about positive results during 1988.

## medical malpractice analysis bureau

The Medical Malpractice Analysis Bureau was established by the Medical Malpractice Reform Law, St. 1986, c. 351, which went into effect on July 1, 1986. The Bureau's chief responsibility is to support the Commissioner's duty to fix and establish rates to be charged by the Medical Malpractice Joint Underwriting Association of Massachusetts (JUA). The JUA was established by the Legislature in 1975 when most insurance companies ceased issuing medical malpractice liability policies to physicians and hospitals. The Bureau collects and analyzes data on medical malprac-

tice insurance rates for physicians, surgeons, hospitals, community health centers, dentists, nurse-midwives, and other appropriate groups which the Commissioner may consider for inclusion in the JUA. A required full ratemaking proceeding is held annually for each group. A full ratemaking proceeding includes: major rate filings, extensive comment and testimony, legal rulings, and written decisions. During the 1987 year, the Bureau determined rates for each of these groups and updated past rate years for dentists and nurse-midwives.

The Bureau undertakes other proceedings and projects as they relate to medical malpractice. Last year, the Bureau intervened to expedite the JUA's delayed doctors' billings to reduce lost JUA investment income. The Bureau also determines total physician and dentist revenue, and fixes the rates for statutory subsidies payable by Blue Shield and Delta Dental Plan insureds.

In 1989, a plan to establish physician rates based on experience is expected. The Bureau has already taken steps to develop the project's database.

## agent and broker licensing

The Agent and Broker Licensing Section oversees the licensing of qualified individuals, corporations, and partnerships as Agents, Brokers, Advisers, and Public Fire Loss Adjusters. These licensing duties include the monitoring of pre-licensing education and continuing education, along with testing, scoring, and grading procedures.

The Section's largest volume of work involves the licensing of persons as agents and the appointing of those agents to one or more insurance companies. The Section has issued approximately 200,000 such appointments to the 43,000 licensed agents in Massachusetts. It currently receives 500 applications for both first-time appointments and additional appointments each week.

In 1987, the processing time for new agents' licenses was significantly improved. This was accomplished with the help of a sophisticated and reliable electronic data processing system. The current processing time, from receipt of application to licensure, is three weeks. In 1986, before automation of the licensing process, it took an average of nine months for licensure to be completed.

Brokers receive a three year license. During a six month period in 1987, the brokers' subsection issued over 6,500 new and renewal licenses to corporations, individuals, and partners who are brokers. There are approximately 20,000 licensed brokers in the Commonwealth. Most broker applications are reviewed, approved, and issued within a few days of their receipt.

The certification subsection processes letters of good standing for licensed agents and brokers. In six months during 1987, this subsection processed over 15,000 certification letters.

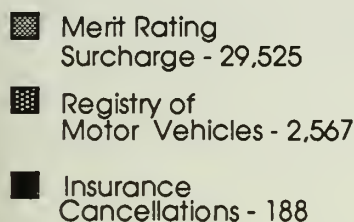
In its educational functions, the Agents and Brokers Licensing Section works closely with Educational Testing Systems (ETS), a service which administers licensing examinations for agents and brokers. In 1987, ETS. introduced KEYWAY, an electronic device which eliminates manual grading of tests. In addition, programs of study for both the pre-licensing education and continuing education of insurance personnel in Massachusetts have been revised and improved.



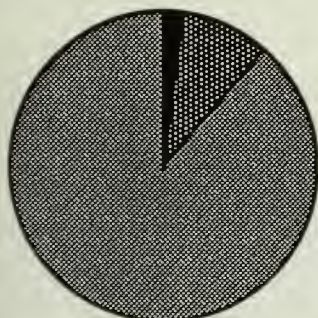
## board of appeal on motor vehicle liability policies and bonds

The Board of Appeal on Motor Vehicle Liability Policies and Bonds was established to hear appeals of surcharges under the Safe Driver Insurance Plan (SDIP), automobile insurance cancellations, and decisions of the Registrar of Motor Vehicles.

The vast majority of appeals heard by the Board - 29,525 in 1987 - involve challenges to surcharges imposed under the Safe Driver Insurance Plan. The following chart is illustrative of this fact:



1987



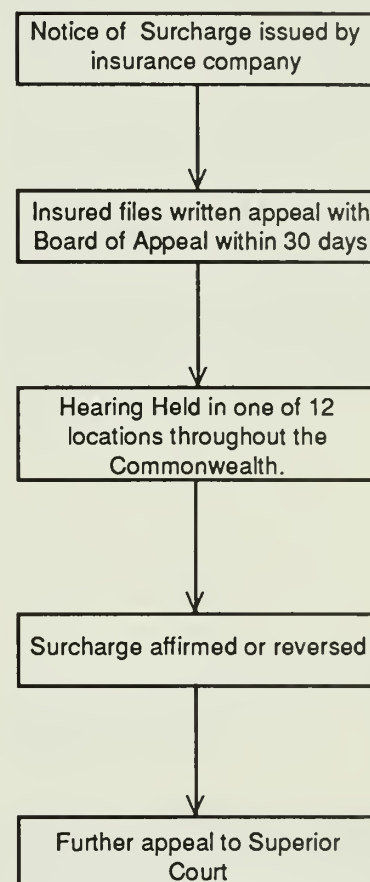
The Safe Driver Insurance Plan requires that after any collision or property damage liability claim has been paid, the insurance company must determine whether the operator and/or policyholder should be assessed a surcharge. A determination of fault must be in accordance with law and in accordance with the Standards of Fault promulgated by the Board. The surcharge notice contains the reason(s) for the surcharge, an explanation of the right of appeal, and an appeal form (complaint) with filing instructions. A Finding and Order, or decision, is sent to the appellant, the policyholder, the attorney, the insurance company, and the Merit Rating Board.

For the convenience of appellants, surcharge appeal hearings are held in 12 locations throughout the Commonwealth by individual Board Members, Hearing Officers, and the Executive Secretary.

With some differences, the appeal process for automobile insurance cancellations and for decisions of the Registrar of Motor Vehicles is similar to that for surcharge appeals. All Board decisions may be further appealed in Superior Court.

The surcharge appeals process is as follows:

### Board of Appeal SDIP - Surcharge Appeals Process





## financial surveillance section

The Financial Surveillance Section is the insurance company licensing arm of the Division. It is responsible for ensuring that only those companies that are financially sound are licensed or authorized to transact business in the Commonwealth. The annual financial statements, quarterly financial statements, and, in some cases, monthly financial statements of each company are regularly reviewed by the Financial Surveillance staff in order to identify and rectify insurance company solvency problems and abuses. In fulfilling these responsibilities, the Section reviews and processes new company licenses, renews existing licenses, inactivates company licenses, processes license certifications and their appropriate fees, and notifies other agencies, such as the Department of Revenue, the Registry of Motor Vehicles, the

Industrial Accident Board, the Commonwealth Automobile Reinsurers, and the Massachusetts Insurers Insolvency Fund, of company name and address changes and changes in license status due to financial integrity. Furthermore, because workers' compensation claims are not covered by the Massachusetts Insolvency Fund, insurers who write workers' compensation must keep securities on deposit to ensure sufficient coverage when claims are made. These insurers also submit a special filing to the Division. The Financial Surveillance Section closely monitors this important activity. The Section is also the Division's liaison with the National Association of Insurance Commissioners (NAIC) via a computer database.

In 1987, the Section enhanced its

computer capabilities in the areas of company licensing, data entry, and report production along with redesign and preparation of licenses. In addition, hearings were conducted by members of this Section and decisions were rendered on acquisitions involving three domestic insurance companies: Massachusetts Casualty Insurance Company, A.M. Life Insurance Company, and American Policyholders Insurance Company.

Furthermore, the Section licensed 58 companies; renewed 850 company licenses; inactivated 13 companies; processed 32 license amendments and 146 address changes; prepared 2,500 company license/certificates of compliance and 850 assessments and processed the fees charged for these services.

## motor vehicle damage appraisers board

The Motor Vehicle Damage Appraisers Board and its support staff is responsible for regulating motor vehicle damage appraisers in Massachusetts. Four of the five Board members are appointed by the Governor. The fifth member is appointed by the Commissioner and serves as the Board's Chairman.

The Board is charged with instituting and maintaining minimum standards for the conduct of motor vehicle damage appraisers. It conducts licensing examinations, issues and renews appraisers' licenses, and processes applications. Its members are empowered to revoke, cancel, and suspend licenses following a hearing process that

may result from complaints that are brought before the Board. In addition, the Board sets licensing eligibility requirements, approves training programs, and establishes license revocation guidelines. In 1987, the Board and staff renewed 10,300 appraiser licenses and issued approximately 120 new licenses.

## field audit section

Chapter 175, section 4 of the Massachusetts General Laws requires the Division to determine the financial status of certain institutions. It also requires the Division to determine whether or not those institutions are at risk of becoming insolvent. The Field Audit Section conducts financial examinations of insurance companies, dental services, health maintenance organizations, savings bank life insurance departments, fraternal benefit societies, and other insurance entities.

Field Audit staff reviews insurance institutions to ensure that they are fulfilling their legal obligations in a number of areas. They must: be capable of meeting their responsibility if claims are made, conduct all bookkeeping procedures as required by regulations, ensure prompt and complete payment of claims to policyholders, comply with all applicable laws and regulations,

and charge approved and reasonable rates. In 1987 the Section audited 20 domestic life insurance companies and 20 savings bank life insurance departments. The Field Audit Section also audits fraternal benefit societies. Fifty-six such societies were examined in 1987.

Several subsections exist within the Field Audit Section. In the event a broker is denied coverage for a particular risk by three insurance companies, the state allows specially licensed brokers to use an out-of-state company as an insurer. Although these companies are not licensed, they are approved to do business in the Commonwealth and are regulated by the Surplus Lines subsection. This subsection is also responsible for licensing all Motor Clubs and their agents, including AAA, ALA, and Cross Country, as well as life insurance departments of savings banks under the Savings

Bank Life Insurance Council.

During 1987, the Surplus Lines subsection improved its tracking of special brokers by revising and expanding the forms which are filed with the Division. Currently, a computerized tracking system of all surplus lines companies and brokers is being developed. This system will improve the monitoring of the 4% statutorily required special brokers' tax and will identify patterns in the behavior of licensees, thereby creating a warning system for abuses which could affect the consumer.

The Valuation of Life Reserves subsection reviews the financial records of all domestic life insurance companies by studying the companies' payment plans and comparing them to the state aggregate as depicted on mortality charts in the General Laws.

## health policy section

Massachusetts is experiencing a boom in its health care industry. To meet the insurance needs of a growing community of health care consumers and providers, the Division staffs and operate a section entirely oriented toward this one area of insurance. The Health Policy Section oversees and coordinates the Division's regulation of health maintenance organizations (HMO), Blue Cross and Blue Shield, and all other aspects of health insurance in the Commonwealth.

Established in 1984, the Health Policy Section has made substantial progress in improving HMO regulatory compliance and oversight. In addition to licensing three new HMOs in 1987, performance and

solvency monitoring was enhanced by instituting financial, enrollment, and utilization data reporting procedures. This information is stored on an "early warning" database, where it is compared with established standards to identify substandard performance. The Section also examined and, where necessary, brought HMOs into compliance with state mandated benefits laws, such as mental health and alcoholism coverage. In regard to mental health benefits, HMOs were notified of statutory requirements establishing \$500 as the minimum benefit for outpatient care and 60 days for inpatient care. The Section conducted an insolvency protection survey to determine if HMOs have made adequate provisions to pro-

tect members from loss of coverage for unpaid medical bills in the unlikely event that the HMO should become insolvent.

Access to the Health Policy Section's resources was updated in 1987 with the availability of three different quarterly reports that are provided to consumers and organizations through the Section's mailing list. The Section has also become a central clearinghouse for information on long-term care insurance. Because this is a relatively new type of insurance, the Health Policy Section is working with the Legal Section to draft regulations which will establish standards and prevent possible abuses in coverage.



## legal section

A staff of thirteen attorneys provides the Commissioner with advice, guidance, and interpretation in his role as regulator of the Commonwealth's insurance industry. The Legal Section assists other sections of the Division when legal expertise is needed and plays a vital role in the annual automobile ratesetting process as well as in other ratesetting procedures.

In 1987, the legal staff was a key participant in formulating decisions on a number of challenging issues, most notably, the attempts by automobile insurers to withdraw from the Massachusetts market.

In addition to overseeing the legal aspects of regulating the Massachu-

setts insurance market, the Section drafts and amends legislation and regulations. It also interprets both state and federal insurance statutes. Some of the most significant legislative initiatives in 1987 were in the areas of insurance fraud, uninsured motorists, anti-discrimination, coverage for pollution liability, medical malpractice, ski area operations, amusement parks, and human service providers. Additional initiatives addressed mandatory coverage for infertility, PAP tests, mammograms, and formulas used in the treatment of Crohn's disease and ulcerative colitis.

Among the most significant regulatory initiatives were: streamlining procedures for the conduct of hear-

ings on motor vehicle insurance rates, providing for gender-neutral insurance practices, and limiting insurers' ability to test for the presence of HIV antibodies associated with the AIDS virus.

The Special Investigations Unit (SIU) is under the supervision of the Legal Section's Chief Enforcement Counsel. SIU staff investigate allegations of wrongdoing by licensees including agents, brokers, and insurance companies. The SIU is the Division's watchdog for consumer fraud, and its investigative activities serve to deter abuses and violations of our insurance laws.

## administration section

The Administration Section is the central resource for the Division's daily operations. The Section staff is responsible for the budget, payroll, mailroom, messenger service, supplies, personnel, and computer operations, as well as the collection and accounting of all revenue. In 1987, the Administration Section was trained in the Massachusetts Management, Accounting, and

Reporting System (MMARS). Training on MMARS resulted in the implementation of a computerized system for bill processing, expenditure and recordkeeping that has been adopted by all the Commonwealth's agencies.

In addition, the Section oversees the training of agency personnel by coordinating seminars and courses

to enhance job skills and performance. The Section is also responsible for assuring the participation of the Division's supervisors and managers in the Performance Management System (PMS) and Employee Performance Review System (EPRS), which are statewide programs designed for improving goal orientation and goal achievement in the workplace.

## electronic data processing

The responsibilities of the EDP Director and staff are to tailor and maintain a computerized support system for the Division and to expand the Division's capabilities by introducing equipment such as the Wang VS 70110.

This automation is evident in a number of areas. Word processing and data processing capabilities are supported by a Wang VS 65 system. The Wang system allows agency

personnel to perform a variety of tasks at the numerous work stations located throughout the Division. The Board of Appeal utilizes a state link, the Merit Rating Board computer, which provides Board members with access to motorists' driving records. On a national level, the Financial Surveillance Section currently maintains a phone link with the National Association of Insurance Commissioners which, when fully activated, will permit

in-agency review of insurance companies' financial statements filed with other states. Lexis, a national legal database and text subscription database, is yet another automated research tool available to the Division. By participating in external networks such as these, the Division has broadened its resources, enhanced daily productivity, and reduced the volume of paper formerly processed by agency personnel.

## cooperative activities

The Division oversees the operation of a number of legislatively created insurance entities, directly participates in the activities of several of the Commonwealth's boards and commissions, and participates in informal policy study groups on a variety of insurance issues. Of particular interest and importance are the following organization:

### **Commonwealth Automobile Reinsurers (CAR)**

CAR is the residual market for automobile insurance. The Commissioner appoints its 13-member Governing Committee, hears appeals of Governing Committee decisions and approves amendments to the Plan and Rules of Operation.

### **Liquor Liability Joint Underwriting Association**

Established in 1985, this Association provides liquor legal liability insurance to liquor licensees who are unable to obtain coverage in the regular market. The Commissioner appoints five members of the 13-member Board of Directors.

### **Medical Malpractice Joint Underwriting Association**

This Association provides medical malpractice liability insurance coverage for physicians, hospitals, and other health care providers including dentists, nurse-midwives, and community health centers. Due to adverse voluntary market conditions, the Association is the only source of medical malpractice coverage available to most physicians and many hospitals in Massachusetts. Of the 15 members on the Board of Directors, six are appointed by the Commissioner.

### **Massachusetts Property Insurance Underwriting Association (FAIR PLAN)**

The FAIR PLAN provides property insurance, including fire insurance, for those residential and commercial property owners who are unable to obtain coverage in the regular market. Six members of the 18-member Board of Directors represent the public and are appointed annually by the Commissioner.

### **Motor Vehicle Insurance Merit Rating Board**

Structurally a part of the Registry of Motor Vehicles, the Merit Rating Board consists of three members: the Registrar of Motor Vehicles, the Attorney General, and the Commissioner of Insurance. The Board facilitates the implementation and operation of the Safe Driver Insurance Plan (SDIP). The Board's staff, headed by an Executive Director, compiles, gathers, and disseminates motor vehicle operator information to insurers and law enforcement agencies for SDIP purposes.

### **Group Insurance Commission**

The Commissioner is a member of the Commission's nine member Board, all of whom are appointed by

the Governor. The Commission's primary responsibility is to negotiate programs of group health, accident, and life insurance on behalf of employees of the Commonwealth.

### **Insolvency Funds**

Both the Life and Health Insurance Insolvency Fund and the Massachusetts Insurers Insolvency Fund were created by the Legislature to protect consumers against the failure by insurers in the performance of their contractual obligations due to impairment or insolvency. Each Fund is headed by a Board of Directors consisting solely of insurer representatives. Board members are nominated by the Funds' member/insurers. Appointments to the Boards are subject to the Commissioner's approval.

A Hazardous Waste Insolvency Fund was created by the Legislature in 1986 to satisfy consumer claims in the event a hazardous materials generator becomes impaired or insolvent. A 9-member Board oversees the Fund. Four members are elected subject to the Commissioner's approval.

---

## division of insurance goals for 1988

**"To enact laws which enhance our commitment to consumer protection."**

- The Division is thoroughly committed to the challenge of automobile insurance reform in 1988. Thus, our key legislative

priority in 1988 is the passage of Governor Dukakis' automobile insurance reform bill. The Administration's package calls for updating the no-fault law, expanding consumer choices while simplifying coverages, and increasing efforts to crack

down on fraud and abuse in the system. In addition to saving Massachusetts drivers an estimated \$150 million in 1989, substantial automobile insurance reform will make our automobile insurance system simpler and more fair.



- The Division is working for the passage of a bill which would further regulate the sale of credit insurance. It is projected that passage of this legislation will result in savings for all who purchase credit insurance in the Commonwealth.
- During the 1988 Legislative session, the Division will recommend the adoption of legislation on insurance information and privacy protection. At present, Massachusetts consumers enjoy little protection from disclosure of personal information which is obtained by insurance companies, support organizations, or agents. This bill promises protection by requiring insurers to notify consumers, who are applying for insurance, of the company's collection and disclosure practices.
- The Division, fully supportive of strengthening anti-discrimination protection for the physically impaired, blind, and mentally retarded, is working for the passage of legislation which further restricts discriminatory insurance practices.

**"To service the insurance consumer with innovative programs and systems."**

- As a consumer oriented agency, the Division must guarantee that its personnel, resources, and services are easily accessible to those served. Because many services are provided over the telephone, the Division is replacing an outmoded telephone system with the AT&T System 75 a voice terminal network which is capable of receiving, directing, and connecting a high volume of incoming phone calls quickly and efficiently. The AT&T System 75 will help direct questions and complaints to the people who are

best able to resolve them, thus reducing consumer complaint response time.

- The Division is planning to expand its consumer information efforts to include the publication and distribution of informational brochures and buyers' guides on a variety of insurance topics. The series of pamphlets will answer the most frequently asked insurance questions, direct buyers in making smart, money-saving choices, and inform consumers of need-to-know developments in the insurance industry.
- Each month, the Consumer Service Section provides the Commissioner and the Executive Office of Consumer Affairs and Business Regulation with a list of agents, brokers, and insurance companies that are ranked according to the number of complaints received against each. In order for this data to realistically reflect the rate of consumer dissatisfaction, the Consumer Service Section is planning to institute a computerized program which will rank companies based on the number of complaints logged against each as compared to market share. The result will be a reliable measure of industry performance.
- Central to the Division's consumer protection role is the enforcement of Massachusetts insurance laws and the investigation of activities which may violate or compromise those laws. Additional personnel have provided the Special Investigations Unit and the Enforcement arm of the Legal Section with the resources needed to expand enforcement activities in 1988.

**"To improve the quality of the work environment and support services for Division personnel and the public."**

- The State Rating Bureau's Policy Forms Section is developing a program to enhance the consistency and objectivity necessary in reviewing filings submitted by insurance companies. The goals of the program are to automate the review process, to institute minimum standards for review, and to work with the insurance industry to standardize policies.
- In July of 1987, the Division received approval from the Executive Office of Administration and Finance to bid for private office space in Boston. A newly renovated building at 280 Friend Street near North Station was selected.
- In 1988, the Electronic Data Processing Unit will expand its efforts to tailor a computerized support system for the Division, to expand the agency's capabilities by introducing new equipment such as the Wang VS 70110, and to ensure the smooth relocation of the system to the Friend Street offices.

**"To expand the regulatory umbrella to assure consumer protection."**

- Long term care insurance, which provides coverage for services such as nursing home care and some home health care benefits that are not covered by Medicare or traditional health insurance, will continue to be an issue deserving much attention. The Division is drafting regulations to govern the sale of this new type of health insurance.

Variable life insurance combines death protection with an invest-



ment component. Although Massachusetts currently regulates the sale of fixed premium variable life insurance, life insurers are not authorized to sell a related product - flexible premium variable life insurance. Flexible premium variable life insurance differs from fixed pre-

mium in that the amount and frequency of payments vary with the policyholder's investment choices and the policies contain more limited minimum death benefit guarantees. Because flexible premium variable life policies are more complex than traditional life products, the

Division's legal staff has been working to amend current variable life regulations to permit the sale of flexible premium life and to ensure that consumers make informed decisions when purchasing this product. The amended regulation will be promulgated in 1988.

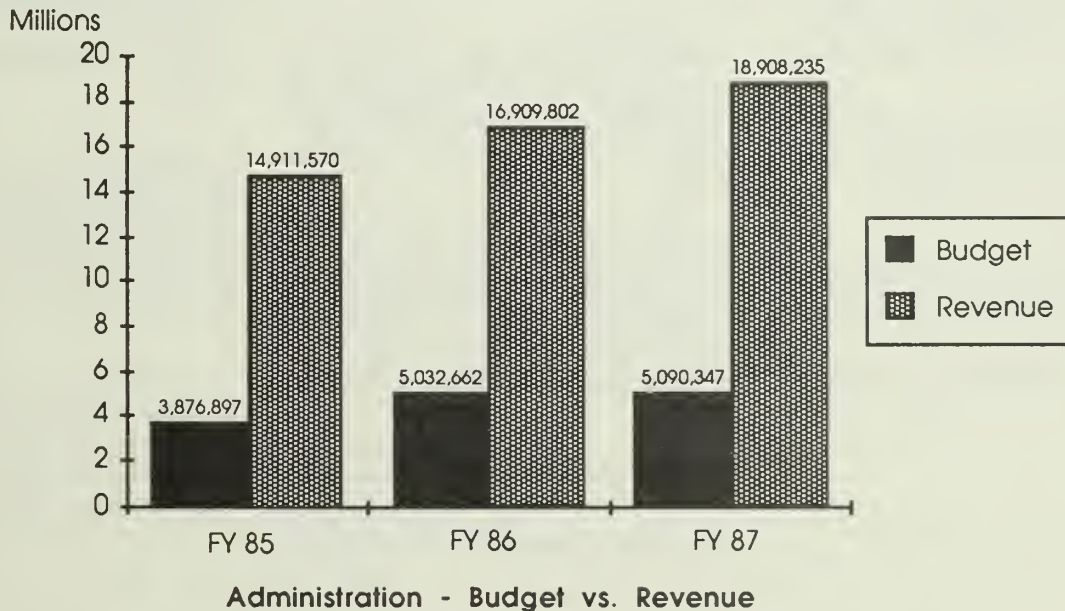
## 1987 financial statement

In addition to the approximately \$200 million in premium taxes paid by insurance companies to the Commonwealth each year, the Division generates substantial annual revenue for the General Fund through its licensing, examination, filing and other fees and charges through direct, statutorily mandated assessments against insurance companies. These assessments reimburse the General Fund of the Commonwealth for expenses of various state boards, agencies, and commissions which deal with insurance matters.

### FISCAL YEAR 1987 REVENUE

Industry Assessments.....	\$2,879,342.00
Licensing and Examination Fees.....	4,699,463.00
Surcharge Filings.....	312,935.00
Special Brokers Tax.....	5,580,685.00
Reimbursement for Audit & Other Services.....	5,435,810.00
<b>TOTAL REVENUE.....</b>	<b>18,908,235.00</b>

The following bar graph illustrates that revenues collected by the Division have steadily increased while the Division's operating budget for Fiscal Years 1986 and 1987 has remained essentially level.



## appendix

### insurance related acts and resolves of 1987

#### Chapter 44

An Act Relative to Automobile Insurance Fraud.

Signed by the Governor on May 5, 1987.

#### Chapter 68

An Act Further Regulating the Use of Passenger Restraints on Children in Certain Motor Vehicles.

Signed by the Governor on May 11, 1987.

#### Chapter 69

An Act Further Regulating Medical Malpractice Insurance Premiums. Signed by the Governor on May 22, 1987. Chapter 69 took effect immediately upon signing.

#### Chapter 86

An Act Relative to Reinsurance Involving Domestic Life Companies.

Signed by the Governor on May 29, 1987.

#### Chapter 169

An Act Further Regulating Individual Deferred Premium Liability in Regards to Medical Malpractice Premiums.

Signed by the Governor on June 25, 1987. Chapter 169 took effect immediately upon signing.

#### Chapter 189

An Act Relative to Automobile Insurance Payments for Collision Repair.

Signed by the Governor on June 30, 1987.

#### Chapter 233

An Act Relative to the Massachusetts Crime Insurance Program.

Signed by the Governor on June 14, 1987.

#### Chapter 238

An Act Limiting the Tort Liability of Individual Trustees, Directors, Officers, or Agents of Certain Charitable Organizations.

Signed by the Governor on July 14, 1987.

#### Chapter 246

An Act Providing for Local Option Insurance Coverage of Reserve, Permanent-Intermittent, or Call Firefighters.

Signed by the Governor on July 14, 1987.

#### Chapter 255

An Act Further Regulating the Return of Motor Vehicle Number Plates.

Signed by the Governor on July 14, 1987.

#### Chapter 262

An Act Further Regulating the Licensing of Insurance Agents and Brokers.

Signed by the Governor July 14, 1987.

#### Chapter 263

An Act Relative to the Classification of Sailmaker Shops for Fire Insurance.

Signed by the Governor on July 14, 1987.

#### Chapter 268

An Act Establishing a Liability Fund in the Town of Amherst.

Signed by the Governor on July 15, 1987.

#### Chapter 287

An Act Further Defining the Responsibilities, Duties, and Liabilities of Skiers and Ski Area Operator Relative to those Risks Inherent in the Sport of Skiing. In addition, this Act Stabilizes Massachusetts Ski Areas' Liability Insurance Cost.

Signed by the Governor on July 21, 1987.

#### Chapter 332

An Act Exempting Nursing Homes from Certain Reporting and Suspension Requirements and Risk Management Programs.

Signed by the Governor on July 23, 1987. Chapter 332 took effect immediately upon signing.

#### Chapter 354

An Act Requiring Insurance Coverage for Plumbing and Gas Fitting Contractors.

Signed by the Governor on July 15, 1987.

#### Chapter 358

An Act Providing Group Insurance Benefits for Certain Employees in the City of Methuen.

Signed by the Governor on August 11, 1987.

**Chapter 363**

An Act Providing Coverage for Certain Medical Preventive Screening Tests.

Signed by the Governor on August 27, 1987.

**Chapter 370**

An Act Relative to Certain Automobile Insurance Payments.

Signed by the Governor on September 30, 1987. Chapter 370 took effect immediately upon signing.

**Chapter 394**

An Act Providing a Medical Definition of Infertility.

Signed by the Governor on September 29, 1987.

**Chapter 401**

An Act Relative to Certain Insurance Premiums Payable by the Surviving Spouses of Certain Municipal Employees.

Signed by the Governor on October 13, 1987.

**Chapter 419**

An Act Further Regulating Liability Insurance for Permanent Amusement Parks.

Signed by the Governor on October 20, 1987.

**Chapter 542**

An Act Relative to Access to Health Care Services.

Signed by the Governor on December 2, 1987.

**Chapter 560**

An Act Relative to Medical Malpractice Insurance.

Signed by the Governor on December 8, 1987.

**Chapter 565**

An Act Clarifying Procedures for Notifying Governmental Units of Claims by Employees under a Group Insurance Contract.

Signed by the Governor on December 14, 1987.

**Chapter 575**

An Act Further Clarifying Health Maintenance Organization Coverage for Public Employees.

Signed by the Governor on December 16, 1987.

**Chapter 614**

An Act Increasing the Membership of the Liquor Liability JUA.

Signed by the Governor on December 29, 1987. Chapter 614 took effect immediately upon signing.

**Chapter 621**

An Act Providing for Common Enrollment Dates for Supplemental Medicare Health Plans.

Signed by the Governor on December 29, 1987.

**Chapter 634**

An Act Authorizing Certain Provisions Allowed in Articles of Organization Limiting the Liability of Directors of Certain Business Corporations to be Stated in Corporations By-Law in lieu thereof.

Signed by the Governor on December 30, 1987.

**Chapter 642**

An Act Relative to the Hazardous Waste Insolvency Fund.

Signed by the Governor on December 31, 1987.

**Chapter 650**

An Act Relative to Pollution Liability Reinsurance.

Signed by the Governor on January 4, 1988.

**Chapter 683**

An Act Providing Medical Benefits for Ulcerative Colitis and Other Diseases.

Signed by the Governor on January 6, 1988.

**Chapter 691**

An Act Relative to Workers' Compensation.

Signed by the Governor on January 6, 1988.

**Chapter 711**

An Act Further Regulating Insurance Coverage for Chiropractic Services.

Signed by the Governor on January 12, 1988.

**Chapter 713**

An Act Continuing Certain Benefits for State Employees on Parental Leave.

Signed by the Governor on January 12, 1988.

**Chapter 742**

An Act Relative to Medical Malpractice.

Signed by the Governor on January 13, 1988.

